



Minnesota Gambling Control Board

GAMING NEWS

October/November/December 2013

Director's Column Tom Barrett, Executive Director

Gambling Control Board

William Goede, Chair
(Plainview)
Committee: Executive

Norm Pint, Vice-Chair
(New Prague)
Committees: Executive;
CRG (chair)

William Gillespie,
Secretary (St. Paul)
Committees: Executive;
Legislative (chair); CRG

Geno Fragnito (Woodbury)
Committees: Legislative;
Rules (chair)

Susan McCarville (Hopkins)
Committees: CRG; Rules

James Nardone
(Grand Rapids)
Committees: Rules

Kenneth Koch (Eagan)
Committees: Legislative

Monthly Board meetings are open to the public and are held at:

Gambling Control Board
Suite 300 South
1711 W. County Road B
Roseville MN

Meetings start at
10:00 a.m.

Friday, November 22, 2013*
Monday, December 16, 2013

Agendas are posted at:
www.gcb.state.mn.us

* In conjunction with the
ACM Convention in
Rochester

Times Have Changed...Or Have They?

The age of electronic games has arrived for charitable gaming in Minnesota and while there is much to learn and experience about this new opportunity, the key elements to be a successful charitable gaming organization have NOT changed over the years... While taking a peek at some old issues of *Gaming News*, I found a very interesting and informative article from October 1998. The advice given back in 1998 still holds true today and with acknowledgment to my predecessor, Director Harry Baltzer, I offer that same good advice again to help organizations focus on what it takes to be successful (regardless of offering paper or electronic games to players).

The following is an excerpt from the October 1998 issue of *Gaming News*.

Keep your authority

If you are new to charitable gambling or your organization wants to become involved, be aware that by law you may not delegate your organization's authority in any way to any party—including a distributor, [an] accountant, consultant, or lessor.

When you give control to someone else, you put your organization's gambling operation—and eventually your license—in jeopardy.

Involve your members

The best way to have an honest successful gambling operation and prevent serious problems is to involve your members in:

- providing oversight,
- approving expenditures, and
- participating in the gambling operation.

Become self-sufficient

Work as a team to learn and perform the tasks necessary to run a successful charitable gambling operation. Your goal should be to make your organization independent and responsible for itself.

Question long-term commitments

If you really feel it is necessary to hire an outside professional service to assist your organization, get several bids and ask yourself questions:

- Are we paying a reasonable price for this service?
- Are we violating any rules or statutes? Will our organization and its members have sufficient internal control and hands-on knowledge about our gambling operation?
- What are the experiences of other organizations? What do they pay for similar consultant or accounting services? How do they run their operations? What do they pay for gambling equipment?
- Should we limit the length of the contract?

This still holds true today—one person cannot do it all. Get other members involved. Teamwork is key.

Continuing Education Classes

✓ Gambling managers must attend at least one class **each calendar year**.

✓ Preregistration is not required to attend.



**LAST CHANCE
FOR
2013 CREDIT!!**

✓ Classes are free and open to the public.

✓ Be sure to check our website for class updates: www.gcb.state.mn.us

November 2013 Topic:

Conduct of Paper Pull-Tabs

11/5/13	7:00 pm	Best Western Kelly Inn, Congress/Senate Room 100 4th Ave. South, St. Cloud (park in south lot along Hwy. 23 or east lot along river)
11/6/13	7:00 pm	Cloquet Forestry Center, Auditorium 175 University Road, Cloquet
11/6/13	7:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville
11/6/13	7:00 pm	The Plaza Hotel, Rosewood II Room 1025 Hwy. 61 East, Winona

December 2013 Topic:

Conduct of Pull-Tabs

12/9/13	2:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville
12/10/13	2:00 pm	South Central College, Conference Center A 1920 Lee Boulevard, North Mankato (park in Blue Lot on N. side of bldg.; enter through Door 15)
12/11/13	2:00 pm	AmericInn Lodge & Suites, Fergus Falls Room 526 Western Avenue, Fergus Falls
12/11/13	2:00 pm	Hibbing Memorial Building, Dining Room 400 East 23rd Street, Hibbing
12/13/13	2:00 pm	Best Western Kelly Inn, Room University B 100 4th Ave. South, St. Cloud (park in south lot along Hwy. 23 or east lot along river)
12/30/13	2:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville

Please note:
There are no classes
in January.

February 2014 Topic:

Rules Update 2014

2/6/14	7:00 pm	AmericInn Lodge & Suites, Fergus Falls Room 526 Western Avenue, Fergus Falls
2/19/14	7:00 pm	Hibbing Memorial Building, Dining Room 400 East 23rd Street, Hibbing
2/19/14	7:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville
2/20/14	7:00 pm	Best Western Kelly Inn, Congress/Senate Room 100 4th Ave. South, St. Cloud (park in south lot along Hwy. 23 or east lot along river)
2/27/14	7:00 pm	South Central College, Conference Center A 1920 Lee Boulevard, North Mankato (park in Blue Lot on north side of bldg.; enter through Door 15)

March 2014 Topic:

Rules Update 2014

3/12/14	2:00 pm	Cloquet Forestry Center, Auditorium 175 University Road, Cloquet
3/19/14	2:00 pm	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Road B, Roseville
3/19/14	2:00 pm	The Plaza Hotel, Rosewood II Room 1025 Hwy. 61 East, Winona
3/20/14	2:00 pm	C'mon Inn, Meeting Room 1586 Hwy. 59 South, Thief River Falls
3/24/14	2:00 pm	MN West Community & Technical College, Auditorium 1593 11th Ave., Granite Falls (park in first lot after turning off Hwy. 212, the SE side of the college)

News

Rules Update

The Notice of Intent to Adopt Rules without a Hearing was published in the October 28, 2013, issue of the *State Register*. After the Notice of Intent to Adopt Rules is published, there is a 30-day comment period, during which persons can submit written comments on the proposed rules or request a hearing on the rules. **The 30-day comment period ends at 4:30 p.m. on November 27, 2013.**

Written comments may be in support of or in opposition to the proposed rules and any part or subpart of the rules. The Board encourages comment. Comments must be in writing and the Board's contact person must receive it by the due date. Comments should identify the portion of the proposed rule addressed, any proposed change, and the reason for the comment or suggested change.

A copy of the proposed rules and the statement of need and reasonableness are available on the Board's website, <http://mn.gov/gcb/RulesProcess.htm>, and are available free of charge by contacting the Board's contact person below. The statement of need and reasonableness contains a summary of the justification for the proposed rules, including a description of who will be affected by the proposed rules and an estimate of the probable cost of the proposed rules.

Written comments or questions on the rules and written requests for a public hearing may be submitted to Peggy Mancuso Orren, 1711 West County Road B, Suite 300 South, Roseville MN 55113, 651-639-4032 (fax), or peggy.orrn@gcb.state.mn.us. Call 651-639-4030 with any questions.

Attention!

Roseville Office Phone Numbers Are Changing

Gambling Control Board phone numbers for the Roseville office will be changing December 1. Once the new phones are installed, you will be referred to a new number when calling the current published number. The main phone number will be 651-539-1900. New numbers for specialists will be published on our website at <http://mn.gov/gcb>. Fax numbers and the Fergus Falls, Hibbing, and St. Peter phone numbers will remain unchanged.

New \$100 Bill Released

U.S. currency is being changed to stay ahead of counterfeiters. The new \$100 bill has been released. To learn more about the new security features on the redesigned \$100 bill, visit:

http://www.newmoney.gov/newmoney/files/100_Materials/100_Education.pdf

According to www.newmoney.gov, if you suspect a counterfeit note:

- ✓ Contact your local police department or United States Secret Service field office (www.newmoney.gov/locator.htm).
- ✓ Write your initials and the date in the border of the suspect note.
- ✓ Limit handling of the note and place in protective covering.
- ✓ Surrender the note only to a police officer or a U.S. Secret Service agent.



Newly released \$100 bill.

By the Numbers

Charitable Contributions Up and Expenses Down!

Based on preliminary reports provided to the Board, fiscal year 2013 was a good year for licensed organizations. Gross receipts were up while expenses were down, resulting in one of the largest increases for the bottom line – charitable contributions!

When compared to the previous fiscal year, FY13 activity showed an 8.6% increase in gross receipts. The percentage of net receipts spent on allowable expenses was down 3.1% while the percentage of net receipts spent on charitable contributions was up 2.5%. Based on active organizations reporting for the entire year, charitable contributions for FY13 increased over \$7 million from \$33,971,000 in FY12 to \$41,011,000 in FY13.

Now that is some positive news worth reporting!

Fiscal Year 2013, Top Ten Grossing Sites (Non-Bingo Hall)—All Lawful Gambling Activity

Site	Charity	Gross	Prizes	Net
Bunny's Bar & Grill, St. Louis Park	St. Louis Park Hockey Boosters	\$5,643,671	\$4,777,248	\$866,423
American Legion Post 270, Buffalo	American Legion Post 270	\$5,602,450	\$4,917,547	\$684,903
American Leg. Post 1776, Apple Valley	American Legion Post 1776	\$5,571,593	\$4,759,431	\$812,162
Shortstop, Fridley	Fridley Lions Club	\$4,521,674	\$3,677,290	\$844,384
Broadway Bar & Pizza, Champlin	Champlin-Dayton Athletic Assoc.	\$4,206,669	\$3,635,093	\$571,576
Sports Page, Bloomington	American Legion Post 550	\$3,847,500	\$3,361,451	\$486,050
American Legion Post 172, Osseo	American Legion Post 172	\$3,811,443	\$3,284,675	\$526,768
Wild Bills of Blaine	Blaine Youth Hockey Assoc.	\$3,670,588	\$3,025,225	\$645,363
Broadway Pizza, Blaine	Blaine Youth Hockey Assoc.	\$3,646,836	\$3,081,222	\$565,614
JR's Outpost, Ramsey	Climb, Inc.	\$3,382,782	\$2,882,828	\$500,044

Calendar Year September 2012 to September 2013, Top Ten Sites—Electronic Pull-Tab Sales

Site	Charity	Gross	Prizes	Net
Porky's Bar, St. Paul	MLBA Children's Fund	\$849,774	\$720,676	\$129,098
Mully's on Madison, Mankato	Prairie Ecology Bus Center	\$608,573	\$511,678	\$96,896
The Phat Pheasant, Windom	Prairie Ecology Bus Center	\$591,798	\$500,591	\$91,206
Roosevelt Bar, Eveleth	Climb Theatre, Inc.	\$549,953	\$470,332	\$79,621
Valley Lounge, Eagan	AM Vets Post 1	\$539,514	\$462,897	\$76,617
Fabulous Ferns, St. Paul	AM Vets Post 1	\$505,170	\$435,496	\$69,974
Howie's Sports Bar & Grill, St. Cloud	St. Cloud Youth Hockey Assoc.	\$501,432	\$427,977	\$73,455
Recreation Lanes, Rochester	Community Charities of MN	\$447,236	\$381,528	\$65,708
Monte's Sports Bar, Spring Lake Park	Spring Lake Park Lions	\$434,897	\$368,816	\$66,081
Double R Saloon, Grey Eagle	Grey Eagle Burtrum Lions	\$408,337	\$348,201	\$60,136

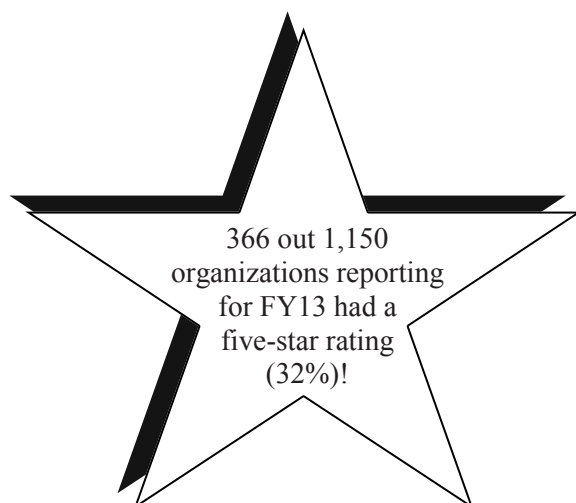
FYI

Organization Annual Reports Mailed

Except for a handful of organizations that still need to file or amend their tax returns, completed organization annual reports have now been sent to all organizations that actively conducted lawful gambling for the entire fiscal year 2013 (July 2012 – June 2013). Each organization was given a star rating based on the percentage of its net receipts that were spent on lawful purposes. Of the 1,150 organizations completed, 62 had a rating of less than three stars (under 30%), 350 had a three-star rating (over 30% but less than 40%), 372 had a four-star rating (over 40% but less than 50%), and 366 had a five-star rating (over 50%).

The annual reports were based on the figures reported to the Gambling Control Board each month on Schedules A, C, and F. Unfortunately, several organizations had errors on the annual reports because Schedule F, line 23 (total lawful purpose expenditures) was not completed accurately for one or more months. We were able to adjust those reports. Another frequent error was that the lawful purpose code was left blank on the Schedule C form. Hopefully these errors can be minimized as we enter the second year of electronically filing Schedules A, C, and F. But we are happy that the new e-filing saves everyone time and money.

Please contact your organization's compliance specialist if you have any questions regarding your organization's annual report.



Calculating Rent for Negative Net Receipts

Taxes paid to the state and monthly rent paid to the bar owner are both based on net receipts from games. The only difference between how rent is calculated and how taxes are calculated is that for monthly rent, negative net receipts cannot be carried over and cannot go below zero. In the rare instance where net receipts are negative, this will impact the amount of rent paid to a lessor.

Recently it was discovered that previous information provided by the Gambling Control Board regarding the calculation of rent due when net receipts include negative games was in error. The following example illustrates the correct method to calculate. Let's say that Joe's Bar sells paper and electronic pull-tabs for XYZ organization. XYZ pays Joe's Bar rent on 20% of net receipts for paper and 15% of net receipts for electronics. For September, the net receipts from paper pull-tabs was \$1,000 and the net receipts from electronic pull-tabs was -\$100. There were no cash shortages. Based on the monthly net receipts from all games, \$200 rent for the paper pull-tab games and -\$15 rent for the electronic pull-tab games is factored into the total monthly rent determination, and the rent check is \$185.

The LG216, Worksheet for Calculating Lawful Gambling Monthly Rent, posted on the Board's website prior to October 22 mistakenly did not combine all net receipts. The LG216 has been revised to correctly calculate rent, and is re-posted on the website at <http://mn.gov/gcb/AllForms.htm>. Please discard any blank forms you may have printed prior to October 22, and be sure to use the form dated 10/13-a. If you have any questions, please contact your compliance specialist.

The LG216 has been revised to assist your organization in correctly calculating rent, and can be found at <http://mn.gov/gcb/AllForms.htm>. Be sure to use the form dated 10/13-a.

Compliance Review Group (CRG) Report

The CRG, a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

Princeton Youth Hockey Association, License 01414

Organization failed to:

- maintain lawful gambling records for a minimum of 3-1/2 years; and
- comply with the Board's request in a timely manner to meet with Board staff, conduct a post-compliance review, and comply with the Board's request to provide documents to verify that the corrective action required in the Compliance Report had been completed.

\$1,500 fine; file Corrective Action Plan; one member from the Gambling Oversight Committee must attend the 2-day gambling manager seminar and pass the test; focused Compliance Review.

VFW Post 1403, Benson, License 00377

- Organization failed to complete and file an annual audit or financial review for fiscal year ending June 2012.

\$250 fine.

e-tabs manufacturing, St. Paul, License MA059

Manufacturer:

- shipped 16 deals of unapproved games into Minnesota; and
- failed to comply with the Board's request in a timely manner to provide verification that the corrective action required in the Investigative Report had been completed.

\$1,000 fine; must have no same or similar violations.

Belle Plaine Friends of the Library, License 03520

Organization failed to:

- maintain correct and complete accounting records;
- maintain internal controls sufficient to protect the integrity of its lawful gambling;
- make deposits of gambling receipts within four business days of the close of the game;
- correctly complete prize receipt forms for winning pull-tabs; and
- conduct lawful gambling with sufficient supervision of a licensed gambling manager.

\$1,000 fine; premises permit for the Red Door site suspended for 90 days; must operate pull-tabs at the Red Door premises using only a pull-tab dispensing device; file Corrective Action Plan; two members from the Gambling Oversight Committee must attend the 2-day gambling manager seminar and pass the test.

Prize Receipt Requirements

Please Note:

An organization's House Rules may still require a prize receipt for prizes of less than \$100 if an organization so chooses.

As of May 21, 2013, a prize receipt form is required to be completed for paper pull-tab prizes of \$100 or more. (Minnesota Statutes, section 349.19, subdivision 10). Minnesota rules are being amended to reflect same level for tipboards and paddletickets. The prize receipt requirements for pull-tab and tipboard last-sale prizes of \$20 or more and for bingo prizes of \$100 or more remain unchanged.

Citations Paid

Citation amounts for similar violations may vary depending on unique circumstances and information and are issued on a case-by-case basis.

Licensee	Violation	Amount
H & H Sales, Inc., Thief River Falls License DI014	Sold deals to lawful gambling organizations intended for Indian tribal gaming.	\$600
Kellogg Fire Department Relief Assoc. License 03983	Put a pull-tab game into play that was not purchased from a licensed distributor.	\$500
American Legion Post 270, Buffalo License 00917	Board approval not obtained to exceed annual limit for real property or capital assets.	\$400
Express Games MN, Inc., Minneapolis	Failed to comply with Board requests for information.	\$300
Bluffton Baseball Association License 02267	Pull-tab games put into play without Minnesota geographic outline symbol on game flares.	\$300
Wabasha Fire Relief License 04243	Gave a pull-tab game from its inventory to another licensed organization.	\$250
Wheaton Fire Dept. Relief Assoc. License 01610	Non-gambling funds were deposited into gambling account and expenditures were made that did not qualify as allowable or lawful purpose expense.	\$250
Foreston Firemen's Relief Association	Excessive cash shortages.	\$200
White Bear Lake Area Hockey Assoc. License 03111	Failed to provide paddlewheel video within 14 days of initial operation.	\$200
American Legion Post 22, Red Lake Falls, License 01101	Pull-tab game put into play without Minnesota geographic outline symbol on game flare.	\$100
Princeton Youth Hockey Association License 01414	Board approval not obtained to transfer gambling funds to the general account.	\$50
Johnson Area Hockey Association, St. Paul, License 00756	Non-gambling funds erroneously used to pay licensing fees.	\$50

The following organizations failed to file Lawful Gambling Schedules A, C, and F with the Board:

- American Legion Post 54, Red Wing, License 00236, \$50
- Spring Lake Park District 16 Youth Hockey, License 03124, \$50
- American Legion Post 14, Bemidji, License 00309, \$50
- Burnsville Hockey Club, License 04433, \$50

Gambling Control Board
Suite 300 South
1711 West County Road B
Roseville, MN 55113

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U.S. POSTAGE PAID
PERMIT 171
ST PAUL MN

State offices will be closed on November 11, 28, 29, 2013; and December 25, 2013.

Trends in Lawful Gambling Gross Receipts

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	Calendar Year 2013	% Change from 2012	Calendar Year 2012	% Change from 2011	Calendar Year 2011
January	\$90,942,826	6.1%	\$85,725,000	7.5%	\$79,741,000
February	\$91,657,765	0.2%	\$91,452,000	13.8%	\$80,385,000
March	\$108,927,248	8.2%	\$100,646,000	7.2%	\$93,844,000
April	\$105,292,410	12.6%	\$93,531,000	3.4%	\$90,491,000
May	\$107,117,420	18.4%	\$90,490,000	6.2%	\$85,188,000
June	\$93,435,148	7.4%	\$87,017,000	9.0%	\$79,815,000
July	\$95,357,935	8.8%	\$87,676,892	4.8%	\$83,646,000
August	\$99,498,310	9.3%	\$91,064,684	7.8%	\$84,507,000
September			\$89,844,888	6.4%	\$84,458,000
October			\$93,138,531	6.0%	\$87,850,000
November			\$93,005,036	10.4%	\$84,228,000
December			\$96,451,203	8.7%	\$88,730,000
YTD Total	\$792,229,062	8.9%	\$1,100,042,234	7.6%	\$1,022,883,000

Note: June 2012 and prior figures provided by MN Dept. of Revenue.

Gambling Control Board www.gcb.state.mn.us
Roseville..... 651-639-4000 *
St. Peter 507-931-5112
Hibbing..... 218-262-7301
Fergus Falls 218-739-7402
* After 12/1/13 the Roseville number will be 651-539-1900

Department of Public Safety www.dps.state.mn.us
Alcohol & Gambling Enforcement..... 651-201-7500

Department of Revenue www.taxes.state.mn.us
Lawful Gambling Tax Unit..... 651-297-1772
Email: lawfulgambling.taxes@state.mn.us

Internal Revenue Service
Forms 1-800-829-1040
Questions 651-312-7716

Minnesota's Bookstore www.minnesotasbookstore.com
..... 651-297-3000; 1-800-657-3757

Minnesota Problem Gambling Helpline.....www.nojudgment.com....1-800-333-HOPE